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BIWEEKLY REPORT

SINO-SOVIET BLOC ECONOMIC ACTIVITIES IN UNDERDEVELOPED AREAS

EIC WGR 1/179

17 December 1962

PREPARED BY THE WORKING GROUP
ON SINO-SOVIET BLOC ECONOMIC ACTIVITIES
IN UNDERDEVELOPED AREAS

ECONOMIC INTELLIGENCE COMMITTEE

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Summary of Events
30 November - 13 December 1962

Chinese Communist imports of grain in 1962 are estimated to total about 5 million tons. The quantity of grain shipped to China in the first half of the year increased slightly over the comparable period in 1961, but a sharp decline was noted during the second half. Although there is evidence of a slight increase in domestic production, it is doubtful that there will be much improvement in the per capita availability of food.

Recent press statements from Cuba suggest that East Germany has agreed to a substantial increase in its developmental aid commitment. An East German trade delegate visiting Havana stated that his country would build 26 complete factories in Cuba, at a total cost of approximately \$30 million. Little information has been revealed regarding the financing of these projects, but it is probable that a great part of the equipment and technical assistance will be obtained on medium-term or long-term credits.

The pattern of Cuban trade has undergone substantial change since the beginning of 1960. The USSR has replaced the United States as Cuba's most important trading partner and now accounts for more than 45 percent of total Cuban trade. Current evidence indicates that Cuban exports of sugar once again will experience a major decline in 1963. With no prospect of increased production in 1963 and no appreciable carryover to draw on, exports will decline by at least 1 million tons. On the basis of this outlook for sugar, total Cuban exports for 1963 can be forecast at about \$450 million. Such a low volume of exports will increase greatly Cuba's need for economic assistance from the Bloc.

During the first week of December, 10 Soviet aircraft accompanied by 60 Soviet personnel arrived in Laos, the first instance of Soviet military aid to the government of Laos.

President Nkrumah of Ghana has decided to establish a permanent trade mission in East Berlin, a step which may have considerable importance as a precedent to other nonaligned countries. Nkrumah's decision

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probably is less a result of vulnerability to East German pressure than a conscious political act to support his "nonalignment" policy.

On 1 December, Brazil signed an economic agreement with Poland which marked an important departure in its economic relations with the Bloc. The agreement provides for an extension of \$70 million in developmental credits by Poland, repayable over 7 years at 3 percent interest, for the purchase of capital goods. Two contracts, one for the construction of a 200,000-kilowatt thermal electric powerplant in Rio Grande do Sul and the other for the purchase of 50,000 tons of rails for the Federal Railroad system, have already been signed under the agreement.

Soviet Embassy officials in Leopoldville reportedly have informed high officers of the Congolese army that the USSR is prepared to supply military support sufficient to bring Katanga's secession to an end within 2 months. Although it is unlikely that the USSR presently seeks to assume responsibility for integrating the Republic of the Congo, future developments may make such involvement more attractive and less risky than it now is.

Implementation of the Soviet-Indonesian arms agreements of 1960, 1961, and 1962 has been carried out rapidly during 1962, and it is believed that almost all major items of equipment scheduled for delivery this year have arrived in Indonesia. Soviet-manufactured land armaments, missiles, and aircraft were displayed in an Armed Forces Day parade held early in October.

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